

**TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE**



**FISCAL NOTE**

**SB 1904 – HB 1556**

March 12, 2009

**SUMMARY OF BILL:** Prohibits certain federal tax credits received from the United States Government as incentive for investing, renovation, or construction of certain types of real properties, and the benefits derived from those credits, from being valued as income in the appraisal and assessment of such properties. Requires the Tennessee Housing Development Agency (THDA) to provide certification of the award and compliance of Low Income Housing Tax Credit properties.

**ESTIMATED FISCAL IMPACT:**

**Decrease Local Revenue - \$2,640,000**

Assumptions:

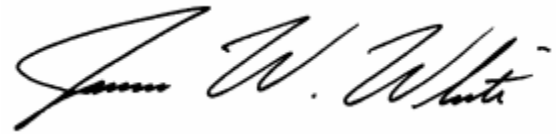
- The federal tax credits specifically identified in this bill are Historic Tax Credits, Low Income Housing Tax Credits, and New Market Tax Credits.
- According to the Office of the Comptroller, and based from a sample of six Low Income Housing Tax Credit (LIHTC) complexes in Davidson County, the gross taxable values of these six properties would be reduced by approximately 44 percent for assessment purposes with this bill. Therefore, it is assumed that the gross taxable values of all eligible properties in Tennessee would be reduced by 44 percent for assessment purposes.
- According to the Comptroller, the current gross taxable value of all such properties in Tennessee is approximately \$400,000,000.
- A 44 percent reduction to gross taxable value for assessment purposes is equivalent to \$176,000,000 ( $\$400,000,000 \times 44\% = \$176,000,000$ ).
- According to the Comptroller, such properties are in the 40 percent classification division. Thus, the total reduction to net taxable value is estimated to be \$70,400,000 ( $\$176,000,000 \times 40\% = \$70,400,000$ ).
- According to the Comptroller, the average tax rate for such properties is \$375 per \$100 of net taxable value.
- Tax on real property is a local government tax exclusively.

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- The decrease to local government revenue is estimated to be \$2,640,000 per year  $[(\$70,400,000 / \$100) \times \$3.75 = \$2,640,000]$ .
- Based on information provided by THDA, any increase to state expenditures for providing certification is considered not significant.

**CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" and last name "White" clearly legible, and "W." in the middle.

James W. White, Executive Director

/rnc